

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|-----------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name SPARTA FIRE DEPARTMENT | County KENT |
| Audit Date 3/31/04 | Opinion Date 5/14/04 | Date Accountant Report Submitted to State: 9/10/04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | | | ✓ |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|--------------------------|------------------------|
| Certified Public Accountant (Firm Name) Siegfried Crandall PC | | | |
| Street Address 246 East Kilgore Road | | City Kalamazoo | State MI |
| | | ZIP 49002-5599 | |
| Accountant Signature  | | | Date 9/10/04 |

Sparta Fire Department

Kent County, Michigan

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year ended March 31, 2004

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INDEPENDENT AUDITORS' REPORT

**Members of the Board
Sparta Fire Department**

We have audited the accompanying general purpose financial statements of the Sparta Fire Department as of March 31, 2004, and for the year then ended. These general purpose financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, except for effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Sparta Fire Department as of March 31, 2004, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Siegfried Crandall P.C.

May 14, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Sparta Fire Department
COMBINED BALANCE SHEET - General Fund and General
Long-Term Debt Account Group
March 31, 2004

| | <u>General Fund</u> | <u>General long- term debt account group</u> | <u>Totals (memorandum only)</u> | |
|---|--------------------------|--|-------------------------------------|--------------------------|
| | | | <u>2004</u> | <u>2003</u> |
| ASSETS | | | | |
| Cash | \$ 130,444 | \$ - | \$ 130,444 | \$ 95,177 |
| Due from local units | 2,773 | - | 2,773 | 2,488 |
| Amount to be provided for retirement of general long-term debt | <u>-</u> | <u>106,090</u> | <u>106,090</u> | <u>137,778</u> |
| TOTAL ASSETS | <u>\$ 133,217</u> | <u>\$ 106,090</u> | <u>\$ 239,307</u> | <u>\$ 235,443</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 12,289 | \$ - | \$ 12,289 | \$ 1,517 |
| Long-term debt | <u>-</u> | <u>106,090</u> | <u>106,090</u> | <u>137,778</u> |
| Total liabilities | <u>12,289</u> | <u>106,090</u> | <u>118,379</u> | <u>139,295</u> |
| FUND EQUITY: | | | | |
| Unreserved: | | | | |
| Designated | 118,392 | - | 118,392 | 57,945 |
| Undesignated | <u>2,536</u> | <u>-</u> | <u>2,536</u> | <u>38,203</u> |
| Total fund equity | <u>120,928</u> | <u>-</u> | <u>120,928</u> | <u>96,148</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 133,217</u> | <u>\$ 106,090</u> | <u>\$ 239,307</u> | <u>\$ 235,443</u> |

See notes to financial statements

Sparta Fire Department**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - General Fund***Year ended March 31, 2004*

| | <u>2004</u> | | | <u>2003</u> |
|----------------------------|----------------|----------------|---|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> | <u>Actual</u> |
| REVENUES: | | | | |
| Local unit contributions: | | | | |
| Township of Sparta | \$ 189,767 | \$ 237,767 | \$ 48,000 | \$ 232,130 |
| Village of Sparta | 94,884 | 95,134 | 250 | 91,052 |
| Interest | - | 1,183 | 1,183 | 1,565 |
| Other | - | 2,954 | 2,954 | 4,784 |
| | <u>284,651</u> | <u>337,038</u> | <u>52,387</u> | <u>329,531</u> |
| Total revenues | | | | |
| EXPENDITURES: | | | | |
| General government - other | - | - | - | 13,154 |
| Public safety: | | | | |
| Salaries and wages | 122,400 | 125,567 | (3,167) | 112,903 |
| Payroll taxes | 9,200 | 9,606 | (406) | 8,594 |
| Employee insurance | 5,000 | 7,404 | (2,404) | 4,830 |
| Office supplies | 2,000 | 584 | 1,416 | 2,618 |
| Operating supplies | 28,000 | 24,498 | 3,502 | 41,091 |
| Repairs and maintenance | 28,200 | 27,277 | 923 | 50,585 |
| Contracted services | 7,000 | 21,232 | (14,232) | 6,350 |
| Insurance | 15,000 | 19,898 | (4,898) | 14,337 |
| Education and training | 9,000 | 11,523 | (2,523) | 10,922 |
| Physicals | 2,500 | 882 | 1,618 | 2,084 |
| Fuel | 2,500 | 2,226 | 274 | 1,943 |
| Dues | 1,500 | 1,390 | 110 | 1,000 |
| Telephone | 2,300 | 2,776 | (476) | 2,776 |
| Utilities | 7,800 | 11,028 | (3,228) | 9,282 |
| Uniforms | - | - | - | 191 |
| Miscellaneous | 250 | 2,682 | (2,432) | 3,635 |
| | <u>242,650</u> | <u>268,573</u> | <u>(25,923)</u> | <u>273,141</u> |
| Total public safety | | | | |

See notes to financial statements

Sparta Fire Department**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - General Fund (Continued)***Year ended March 31, 2004*

| | <u>2004</u> | | | <u>2003</u> |
|--|---------------------|---------------------|---|---------------------|
| | | | <i>Variance favorable (unfavorable)</i> | |
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| EXPENDITURES (Continued): | | | | |
| Capital outlay | <u>\$ 2,000</u> | <u>\$ 3,685</u> | <u>\$ (1,685)</u> | <u>\$ 19,153</u> |
| Debt service: | | | | |
| Principal | <u> 31,688</u> | <u> 31,688</u> | <u> -</u> | <u> 29,891</u> |
| Interest | <u> 8,312</u> | <u> 8,312</u> | <u> -</u> | <u> 10,109</u> |
| Total expenditures | <u> 284,650</u> | <u> 312,258</u> | <u> (27,608)</u> | <u> 345,448</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 1 | 24,780 | 24,779 | (15,917) |
| FUND BALANCE - BEGINNING OF YEAR | <u> 96,148</u> | <u> 96,148</u> | <u> -</u> | <u> 112,065</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 96,149</u> | <u>\$ 120,928</u> | <u>\$ 24,779</u> | <u>\$ 96,148</u> |

See notes to financial statements

Sparta Fire Department
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Sparta Fire Department (Fire Department) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments, except as to non-proprietary fund fixed assets. The Fire Department has not maintained a general fixed asset account group to account for its investment in fixed assets utilized in its general operations. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Fire Department. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Fire Department exercises oversight responsibility.

Costs of operations and capital expenditures are supported by contributions from the Village of Sparta, which contributes one-third and the Township of Sparta, which contributes two-thirds of the Fire Department's proposed budget.

b) Basis of presentation:

The accounts of the Fire Department are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The operations of the fund and account group are accounted for with separate sets of self-balancing accounts that comprise their assets, liabilities, fund equity, revenue, and expenditures. The fund and account group are described as follows:

i) Governmental fund:

General Fund - this fund is the general operating fund of the Fire Department. It is used to account for all financial resources except those required to be accounted for in another fund.

ii) Account group:

General long-term debt account group - this account group represents the balance of general obligation long-term debt.

c) Basis of accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Fire Department prepares its financial statements using the modified accrual basis of accounting. Its revenues are recognized when they become measurable and available to finance expenditures of the fiscal period and are considered fully collectible.

Sparta Fire Department
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Basis of accounting (continued):

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

d) Budgets and budgetary accounting:

The Fire Department follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978), as prescribed by the State of Michigan. The budget is adopted at the line-item level and is consistent with generally accepted accounting principles.

e) Comparative data:

Comparative data for the prior year has been presented in the financial statements in order to provide an understanding of changes in the Fire Department's financial position and results of operations.

NOTE 2 - CASH:

Deposits with financial institutions:

At March 31, 2004, the Fire Department has deposits with a carrying amount of \$130,444 and a bank balance of \$144,724. Of the bank balance \$100,000 is covered by federal depository insurance and \$44,724 is uninsured.

NOTE 3 - LONG-TERM DEBT:

In September 2000, the Fire Department executed an installment purchase agreement, as authorized by Act 99 of the Public Acts of Michigan of 1933, as amended, by which it borrowed \$200,000 to finance the purchase of a fire truck. Annual debt service payments, including interest at 5.95%, range from \$38,591 to \$40,000. Final payment is due May, 2006.

Annual debt service requirements to maturity, including interest of \$12,501, are as follows:

Year ending
March 31,

| | |
|------|------------------|
| 2005 | \$ 40,000 |
| 2006 | 40,000 |
| 2007 | <u>38,591</u> |
| | <u>\$118,591</u> |

Sparta Fire Department
NOTES TO FINANCIAL STATEMENTS (*Continued*)

NOTE 4 - RISK MANAGEMENT:

The Fire Department is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

P.A. 621 of 1978, Section 18(a), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Fire Department's actual expenditures and budgeted expenditures for the budgetary fund have been shown on a line-item basis. The approved budget of the Fire Department for this budgetary fund was adopted at the line-item level.

The following schedule sets forth significant budget variations:

| <u>Function</u> | <u>Line item</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------|------------------------|---------------|---------------|-----------------|
| Public safety | Salaries and wages | \$122,400 | \$125,567 | \$ 3,167 |
| | Employee insurance | 5,000 | 7,404 | 2,404 |
| | Contracted services | 7,000 | 21,232 | 14,232 |
| | Insurance | 15,000 | 19,898 | 4,898 |
| | Education and training | 9,000 | 11,523 | 2,523 |
| | Utilities | 7,800 | 11,028 | 3,228 |
| | Miscellaneous | 250 | 2,682 | 2,432 |
| Capital outlay | Capital outlay | 2,000 | 3,685 | 1,685 |

NOTE 6 - SUBSEQUENT EVENT:

Subsequent to March 31, 2004, the Fire Department executed an installment purchase agreement with Choice One Bank to finance the purchase of 30 sets of turnout gear. The total amount to be borrowed is \$42,954, which is to be paid back in monthly installments of \$787, including interest at 3.79%. The final payment is scheduled to be made May 24, 2009.